

IOWA SELECT FARMS, L.P. CONTRACT GROW-FINISH AGREEMENT

CONTRACT GROW-FINISH AGREEMENT ("Agreement"), is made and entered into effective as of the ____ day of _____, 199__, by and between IOWA SELECT FARMS, L.P. an Iowa limited partnership with its principal place of business in Iowa Falls, Iowa ("ISF") and _____ of _____, Iowa ("Grower").

WITNESSETH:

WHEREAS, Grower has constructed or intends to construct the grow-finish hog confinement building(s) described on Exhibit "A" to this Agreement on the real estate legally described on Exhibit "A" to this Agreement (with each building referred to as a "Unit" and with the real estate and Unit(s) referred to collectively as the "Facilities") and has the expertise to feed hogs to market weight; and

WHEREAS, ISF owns hogs that it desires to finish to market weight and desires to utilize the services of Grower to perform the day-to-day care and feeding of ISF's hogs at the Facilities and to grow ISF's hogs to market weight and Grower desires to provide ISF with exclusive use of the Facilities for ISF's hogs during the term of this Agreement and accepts responsibility for the grow and finish of ISF's hogs to market weight on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Unit Specifications, Construction and Operation. Grower warrants that the Unit(s) shall meet the specifications set forth on Exhibit "A" to this Agreement. The Unit(s) shall have a total capacity of _____ grow-finish hogs to be raised to an average market weight of approximately _____ pounds (each unit of capacity referred to herein as a "Pig Space"). Grower shall obtain all necessary permits and authorizations to construct and operate the Facilities (including, but not limited to, all required county and local zoning approvals and all required Iowa Department of Natural Resources ("IDNR") construction, operating and water withdrawal permits) and shall be responsible for all costs and fees associated with the construction and operation of the Unit(s), including any fees to be paid into the Iowa Manure Storage Indemnity Fund.

2. Facilities Access. The Facilities shall be maintained by Grower during the term of this Agreement exclusively as a grow/finish facilities for ISF's hogs. Grower shall neither keep nor allow others to keep hogs other than ISF's hogs at the Facilities, unless specifically directed to do so in writing by ISF. Grower agrees to permit ISF personnel to enter the Facilities at any time for inspection purposes and/or to remove ISF's hogs and agrees to grant ISF permanent access to the Facilities, including all necessary rights of ingress and egress, for a period not less than the term of this Agreement. Grower will not permit any person (other than its personnel and ISF personnel) to have access to the Facilities without the prior written approval of ISF. Grower shall maintain all access roads and service lanes to and at the Facilities at all times during the year so as to allow feed truck and semi-tractor/trailer access to the Facilities without damage or delay. Grower shall be responsible for all wrecker, towing and other charges caused by Grower's failure to so maintain such access roads and service lanes.

3. Delivery of Hogs to Facilities. ISF will arrange and pay for the cost of transporting its hogs to the Facilities. ISF shall give Grower at least three (3) days advance notice of delivery dates of its hogs to the Facilities. Grower shall provide all labor and equipment necessary to unload ISF's hogs into the Unit(s). Grower shall acknowledge the number of ISF hogs delivered and the apparent health status of the ISF hogs delivered at the time of delivery.

ISF INITIALS: _____

GROWER INITIALS: _____

REVDATE 053095

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4. Grow/Finish Duties of Grower. During the term of this Agreement, Grower will be responsible for the following duties with respect to the grow/finish of ISF's hogs at the Facilities:

- a. Personnel. Grower shall be responsible for the day-to-day management of the Facilities and the grow/finish of ISF's hogs. Grower may employ manager(s) and other necessary personnel at the Facilities to carry out Grower's duties in this regard, provided that Grower shall be solely responsible for the actions and decisions of Grower's personnel. Grower may subcontract its duties hereunder with the written permission of ISF. Grower shall coordinate the grow/finish activities at the Facilities in consultation with ISF's Production Supervisor. Grower and ISF's Production Supervisor will meet periodically to evaluate the performance of Grower's personnel. If any such personnel are not, in the reasonable opinion of ISF's Production Supervisor, performing up to ISF's strict grow/finish performance standards, ISF may request that Grower replace such personnel. Upon the request of Grower, ISF's Production Supervisor will consult at no charge with Grower regarding the hiring of personnel for the Facilities.
- b. General Management Responsibilities. Grower will grow/finish ISF's hogs with all modern animal husbandry practices and shall follow all reasonable directions provided by ISF for the rearing and care of such hogs. All of ISF's hogs must be raised in strict accordance with ISF's feeding program and management program, as communicated from time to time by ISF to Grower. Grower will specifically: (i) implement rodent and fly control procedures in and around the Facilities; (ii) implement and maintain all herd health and disease control standards and procedures required by ISF (including the administration of any animal drugs); (iii) conduct a daily observation of all hogs on an individual basis and the Facilities to ensure that feeders, waterers and ventilation equipment are functioning properly and (iv) keep dogs, cats and other domestic animals out of the Facilities. Grower shall maintain accurate records with respect to ISF's hogs as required by and on forms provided by ISF, including, without limitation, records on hog mortality and feed efficiency. Any significant hog mortality shall be communicated by Grower to ISF immediately. Grower shall obtain and maintain all required governmental permits necessary in connection with the raising and feeding of ISF's hogs.
- c. Maintenance. Grower will maintain the Facilities in good working order and in the same condition as constructed, reasonable wear and tear excepted. Grower shall routinely check and maintain feed systems and water lines and nipples.
- d. Cleaning. Grower agrees to have the Unit(s) cleaned, disinfected and ready to receive ISF's hogs within four (4) days from time the Pig Spaces in the Unit(s) are unloaded. Grower will provide a power washer (3,000 PSI or better) for cleaning of the Unit(s). If Grower does not have the Pig Spaces in the Unit(s) cleaned, disinfected and ready to receive ISF's hogs as set forth above, Grower shall be charged a fee at the rate of \$.14 per Pig Space per day until the Pig Spaces in the Unit(s) are ready to receive ISF's hogs.
- e. Utilities/Services. Grower will provide all necessary water, electricity, propane and bedding at the Facilities for ISF's hogs. Grower shall provide a private water well or rural water for the benefit of the Unit(s). Grower guarantees access to a water source and to electricity for the term of this Agreement and will obtain all written easements needed to assure access to a water source and electricity for such period. ISF shall be named as a third-party beneficiary of all such easements.
- f. Manure Management. Grower shall be solely responsible for providing for manure or other swine waste product removal, handling and disposal for the Facilities in compliance with all applicable laws, rules and regulations. In consultation with ISF, Grower shall develop, maintain and comply with a manure management and pollution prevention plan ("MMP") that complies with Iowa Code Section 453B.203 and the rules promulgated thereunder. Grower shall secure and record, prior to the execution of this Agreement, written manure disposal rights agreements for a minimum period of twenty (20) years for tillable acres sufficient to show compliance with the MMP. ISF shall

ISF INITIALS: _____

GROWER INITIALS: _____

REVDATE 053095

DRAFT - DISCUSSION PURPOSES ONLY

be named as a third party beneficiary of such agreements and shall have the rights of Grower under such agreements should ISF carry out Grower's animal nutrient duties hereunder. Grower agrees to indemnify and hold harmless ISF from any claim, loss or damage which results from Grower's failure to comply with this provision, including any loss suffered by ISF as a result of ISF being forced to relocate its hogs from Grower's Facilities for failure to comply with its MMP. In the event that Grower does not, in ISF's sole reasonable opinion, comply with Grower's manure and waste disposal responsibilities under this Agreement, Grower hereby grants ISF full and complete access to the Facilities to carry out Grower's duties at the expense of Grower. In such event, Grower agrees to indemnify and hold harmless ISF from any claim, loss or damage which results from Grower's failure to comply with this provision, including without limitation any claim, loss or damage which results from ISF's actions in performing Grower's duties hereunder. Any payment due Grower under this Agreement shall be reduced by any and all expenses, costs, fines, penalties, attorney's fees, losses and other damages incurred by ISF in the removal, handling or disposal of manure due to Grower's failure to properly remove, handle or dispose of such manure.

g. Pollution Prevention and Odor Control. Grower shall take all reasonable steps necessary to prevent any pollution associated with the operation of the Facilities and to reduce odor from the Facilities. ISF agrees to share information with Grower as to odor control know-how and technology. Grower agrees to either inject manure into the ground or to land apply manure and incorporate the manure within 24 hours thereafter and not to use spray irrigation for manure; provided, however, that Grower can utilize spray irrigation for effluent from anaerobic treatment systems. Grower shall respect all applicable setback requirements for the Units and the waste storage facility at the Facilities. Grower agrees to consult with Grower's neighbors regarding the timing of manure applications from the Facilities. Grower agrees to take reasonable steps to reduce odor by the planting of windbreaks such as Austrees or sudan grass or bluestem around the waste storage system and the Units.

h. Dead Animal Disposal. Grower shall be solely responsible for disposing of all dead animals in accordance with all governmental regulations, public health laws and consistent with good management practices and will provide necessary documentation of use of all disposal services.

i. Insurance. Grower shall obtain standard form liability insurance coverage from bodily injury and property damage with minimum limits of \$500,000 and shall furnish ISF with certificates of insurance. ISF will provide adequate fire and wind insurance on its hogs.

j. Security and Bio-security Measures. Grower shall take reasonable steps to secure the Facilities and the Units. Grower shall provide locked gates, locked buildings and security lights. Grower shall also provide: (1) at least two fans per Unit on a separate thermostat which is set to activate the fans when the internal temperature at the Unit exceeds 80 degrees; (2) a back-up electric generator system at the Facilities if the number of Pig Spaces at the Facilities exceeds 1,000 and (3) a dialer system to Grower and to ISF's offices and personnel if the number of Pig Spaces at the Facilities exceeds 5,000. Grower shall follow and shall insure that any visitors to the Facilities strictly adhere to ISF's bio-security guidelines.

5. Grower's Warranties. Grower warrants and represents that Grower will: (i) adhere to the feeding and health maintenance programs and management recommendations provided by ISF; (ii) endeavor at all times to produce hogs of the highest and best quality; (iii) not use any Supplies except those provided or approved by ISF; (iv) cooperate fully with ISF to provide, prepare and make available records supporting the care and feeding of ISF's hogs and (v) comply with all laws and regulations applicable to the feeding and care of ISF's hogs.

6. Grow/Finish Duties of ISF. ISF will be responsible for the following duties with respect to the grow/finish of ISF's hogs at the Facilities:

ISF INITIALS: _____

GROWER INITIALS: _____

REVDATE 053095

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a. Feed and Supplies. ISF shall purchase and deliver to the Facilities all feed, grain, proteins, minerals, vitamins and medications (collectively, "Supplies"), required for ISF's hogs under ISF's strict management and feeding program. ISF shall also provide any necessary mixing, grinding or other processing of Supplies. All Supplies shall at all times remain the property of ISF and any Supplies remaining after ISF's hogs have been marketed or at the termination of this Agreement may be picked up by ISF.

b. Other Duties. ISF shall provide transportation of ISF's hogs to and from the Facilities and shall pay the cost of reasonable veterinary service and medications. ISF will perform all marketing functions involving ISF's hogs.

c. Technical Advice. ISF's Production Supervisor shall make periodic visits to the Facilities to give advice and assistance to Grower and to inspect Grower's records supporting the care and feeding of ISF's hogs. Grower shall contact ISF immediately in the event of an emergency or if Grower deems it necessary to obtain the advice or services of a veterinarian. ISF shall also consult with Grower on matters related to herd health, environmental practices and compliance, and on other matters that Grower should desire to discuss from time to time. ISF will also arrange with Grower to provide training in swine management to Grower or to Grower's personnel, should Grower request such training.

7. Load Out of Hogs from Facilities. ISF shall be responsible for arranging for and shall bear all costs of transporting its hogs from the Facilities. Grower shall not and shall not allow any third party to remove ISF's hogs from the Facilities without the prior written consent of ISF. Grower shall provide all equipment and personnel necessary to load out ISF's hogs at the Facilities. If for any reason Grower does not provide the necessary personnel and equipment to load out ISF's hogs at the Facilities, ISF shall charge Grower \$.53 per hog loaded out for performing such services and may offset such charges against any amounts due and owing Grower under the terms of this Agreement. Grower shall acknowledge the number of ISF hogs loaded out at the time of load out.

8. Payments to Grower. ISF will pay Grower an annual base contract finishing fee ("Base Payment") for growing and finishing ISF's hogs equal to \$_____ per Pig Space in the Unit(s). Such Base Payment shall be payable in monthly installments on the first day of every month for the following month. The Base Payment for any Pig Space shall not begin to accrue until such time as the Pig Space is initially filled by ISF. In addition to the Base Payment, Grower may earn (or be charged) a fee depending on the performance of Grower in raising ISF's hogs (the "Performance Payment"). The Performance Payment shall be based on the schedules and formulas set forth on Exhibit "B" hereto and incorporated herein by this reference. Such Performance Payments, if any, shall be paid to Grower or charged to Grower based upon the actual number of ISF hogs delivered to market from each Unit and shall be payable within fourteen (14) days after the receipt by ISF of the closeout data on the hogs from such Unit from the processor or packer. GROWER UNDERSTANDS AND AGREES THAT NEITHER ISF OR ITS EMPLOYEES OR AGENTS WARRANT ANY SPECIFIC LEVEL OF PERFORMANCE WITH RESPECT TO ISF'S HOGS GROWN AND FINISHED BY GROWER.

9. Term. The term of this Agreement shall be _____ () years from the date Grower makes the first Unit available to ISF to be filled with ISF's hogs. Either party may terminate this Agreement upon ten (10) days' prior written notice for a failure of the other party to comply with a material term hereof and the breaching party's failure to cure such breach within ninety (90) days after receiving such notice; provided, however, that once hogs are delivered by ISF to Grower, the Agreement cannot be terminated by ISF or Grower until such hogs are marketed by ISF.

10. Ownership of ISF's Hogs/Liens. Grower understands and agrees that all hogs delivered to the Facilities are the property of ISF and the hogs and all increase thereof, if any, shall be and at all times remain the property of ISF. Grower shall have no ownership interest of any kind in any of the hogs at the Facilities. Grower agrees to shall execute any UCC financing statement or other document ISF deems

ISF INITIALS: _____

GROWER INITIALS: _____

REVDATE 053095

DRAFT - DISCUSSION PURPOSES ONLY

necessary or advisable to protect ISF's ownership of the hogs. Further, Grower irrevocably waives any right Grower may have to assert and agrees not to assert or permit to be asserted by anyone any lien upon any of ISF's hogs at the Facilities and will indemnify and hold ISF harmless from any and all such liens or claims to any of such hogs or the proceeds thereof. Finally, Grower agrees to execute appropriate waivers and non-disturbance agreements in favor of ISF's lenders upon the request of ISF.

11. Loss of Hogs. Grower shall be responsible for the loss of any hogs through theft, conversion or mysterious disappearance. Such hogs be valued at fair market value at time of notice of loss, and such value shall be deducted from any amounts due Grower under this Agreement and Grower shall be liable to ISF for any amount in excess of the amounts due Grower under this Agreement.

12. Waiver of Property Damage. Grower irrevocably waives any and all claims for recovery from ISF for loss or damage to Grower's property caused directly or indirectly by ISF's hogs, except where such loss or damage is solely caused by the negligence of ISF.

13. Third-Party Claims. Grower shall be responsible for any claims, damages or injuries to third parties caused by ISF's hogs delivered to the Facilities pursuant to this Agreement or caused by Grower's management of the Facilities and hereby indemnifies and holds ISF harmless from any such claims, damages or injuries, except where such claims, damages or injuries arise solely from the negligence of ISF.

14. Relationship of the Parties. The relationship created by this Agreement is that of independent contract grower and hog owner only and nothing contained herein is intended or shall be construed as creating any partnership, agency, employer-employee or other relationship. Grower shall provide at Grower's sole expense such workman's compensation insurance, unemployment compensation insurance, disability and health insurance as may be required or advisable for Grower or Grower's personnel. Grower shall comply, to the extent applicable, with all labor laws at the Facilities, including, without limitation, all OSHA requirements. Grower will be responsible for all taxes on amounts paid to Grower by ISF hereunder.

15. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class, postage paid:

A. If to Grower to:

B. If to ISF to:

Iowa Select Farms, L.P.
c/o Mr. Jeff Hansen
811 South Oak Street
Iowa Falls, Iowa 50126

16. Amendments. This Agreement sets forth the entire understanding of the parties and supersedes any prior agreements, oral or written, as to the subject matter hereof. This Agreement may be amended or modified by, and only by, a written instrument executed by the parties hereto.

17. Expenses. Except as otherwise provided herein, all legal, accounting, and other costs and expenses incurred in connection with the Agreement and any related agreements) and the transactions contemplated hereby and thereby shall be paid by the party incurring such expenses.

ISF INITIALS: _____

GROWER INITIALS: _____

REVDATE 053095

DRAFT - DISCUSSION PURPOSES ONLY

18. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors, permitted assigns and personal representatives. This Agreement shall not be assigned by any party hereto except as permitted by its express terms or upon the written consent of the other party. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies under or by reason of this Agreement. The parties agree and acknowledge that this Agreement is a contract finishing agreement and not a lease of the Facilities. Therefore, the parties do not intend to record a copy of this Agreement as would be required for a lease as provided in Section 558.44 of the Iowa Code (1995).

19. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement, or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

20. Waiver. The failure of any party hereto to insist in any one of more instances upon performance of any term or condition of this Agreement shall not be construed as a waiver of future performance of any such term, covenant or condition, but the obligation of such party with respect thereto shall continue in full force and effect.

21. Excused Performance. Notwithstanding any other provision herein, the performance of either party to this Agreement shall be excused during any period of time when performance becomes commercially impossible due to reasons which are entirely beyond the control of such party, such as fire, explosion, accident, final governmental law or regulation or intervention and acts of God. Changes in the hog market which impact the economic effect of this Agreement are specifically excluded from this provision, as is any failure by Grower to exercise good judgment with regard to manure disposal, etc. Upon the expiration of the time that performance is commercially impossible, the responsibilities and obligations of the parties shall resume again with full force and effect.

22. Captions. The captions herein are inserted for convenience of reference only and shall be ignored in the construction or interpretation hereof.

23. Governing Law. This Agreement shall be governed and construed in accordance with the law of the State of Iowa, without reference to its conflict of law rules.

24. Arbitration. In the event of any dispute between ISF and the Grower under this Agreement, the parties agree to submit such dispute to binding arbitration under Chapter 679A of the Iowa Code (1995). In such event, the arbitration shall be conducted expeditiously in accordance with the Center for Public Resources Rules for Nonadministered Arbitration of Business Disputes. The Center for Public Resources shall appoint a neutral advisor from its National CPR panel. Judgment upon the award rendered by the arbitrators may be entered in the Iowa District Court with jurisdiction over the Facilities. The place of arbitration shall be Des Moines, Iowa. Any arbitration proceedings shall be administered by the neutral advisor in accordance with the CPR rules as he/she deems appropriate, however, the following procedures shall in all events be followed: (1) mandatory exchange of all relevant documents within 45 days after initiation of arbitration; (2) no other discovery; (3) hearing before the neutral advisor which shall consist of a summary presentation by each side of not more than four hours; and (4) the final decision to be rendered within ten days following the conclusion of the hearings.

25. Change in Laws. Notwithstanding any other provision herein, in the event that any law is enacted or any rule is promulgated or any opinion is issued by the office of the Attorney General of the State of Iowa which would have the effect of prohibiting the parties from carrying out the terms of this Agreement, this Agreement shall be voidable by either party.

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GROWER INITIALS: _____

REVDATE 053095

DRAFT - DISCUSSION PURPOSES ONLY

THIS AGREEMENT IMPOSES SIGNIFICANT LEGAL OBLIGATIONS ON BOTH ISF AND GROWER. GROWER SHOULD HAVE THIS AGREEMENT REVIEWED BY A LAWYER OF GROWER'S CHOICE PRIOR TO SIGNING IT.

IN WITNESS WHEREOF, this Agreement has been executed as of the date and year first above written.

GROWER

IOWA SELECT FARMS, L.P.
By: Iowa Select Farms, Inc.,
Its General Partner

By _____
Jeff Hansen, President



[NOTARY BLOCKS]

PERSONAL GUARANTY

If Grower is a corporation, limited partnership, limited liability company, trust, estate or an association, the undersigned jointly and severally personally guarantee the full performance of the above Agreement by Grower and agree to be liable for all acts or omissions of Grower under the Agreement.

Guarantor

Date

Guarantor

Date

[NOTARY BLOCKS]

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GROWER INITIALS: _____

REVDATE 053095

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Exhibit "A"

Description of Units and Real Estate

Legal Description of Real Estate

Number and Capacity of Units

Unit Specifications

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GROWER INITIALS: _____

REVDATE 053095

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Exhibit "B"

Performance Payment Matrix

$$\text{PERFORMANCE PAYMENT} = (\text{FC}^* + \text{DL}\%^*) \times \text{Final Head Count}$$

Where:

FC = Feed Conversion Payment

DL% = Death Loss Percent Payment

* FC and DL% are calculated on a per-head basis based on each turn (close-out) of the Unit.

FEED CONVERSION (FC) PAYMENT MATRIX:

<u>Conversion</u>	<u>Bonus/Head/Year</u>	<u>Bonus/Head/Turn**</u>
> 3.00	\$0.00	\$0.000
2.90-3.00	\$1.00	\$0.333
2.80-2.89	\$1.50	\$0.500
2.70-2.79	\$2.00	\$0.667
< 2.70	\$3.00	\$1.000

DEATH LOSS PERCENTAGE (DL%) PAYMENT MATRIX:

<u>Conversion</u>	<u>Bonus/Head/Year</u>	<u>Bonus/Head/Turn**</u>
> 2.00	\$0.00	\$0.000
1.50-2.00	\$0.25	\$0.083
1.00-1.49	\$0.50	\$0.167
0.50-0.99	\$0.75	\$0.250
< 0.50	\$1.00	\$0.333

** Based on 3.0 turns per Unit per year

ISF INITIALS: _____

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REVDATE 053095

